

ANNUAL *S. I. Kresge Company* REPORT





**QUALITY
ECONOMY
SERVICE**

S. S. Kresge Company Annual Report

A MICHIGAN CORPORATION

EXECUTIVE OFFICES 2727 Second Avenue
Detroit, Michigan 48232

SUBSIDIARIES

S. S. Kresge Company, Limited
Toronto, Ontario

Mt. Clemens Pottery Company
Mt. Clemens, Michigan

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TRANSFER AGENTS

The National Bank of Detroit, Detroit, Michigan
The Chase Manhattan Bank, New York, New York

REGISTRARS

First National City Bank, New York, New York
Manufacturers National Bank of Detroit, Detroit, Michigan

ANNUAL MEETING

Third Tuesday of May (May 19, 1964) at 2 o'clock P.M.,
at the office of the company. It is the intention of the company
to solicit proxies for use at the Annual Meeting of the company.
The proxy statement is expected to be mailed to shareholders
about the first week of April.





Highlights

	1963	1962
Sales	\$504,503,194	\$450,507,409
Number of Stores	855	821
Net Earnings	\$ 10,277,780	\$ 9,014,163
Per Share*	1.87	1.64
Average Number of Shares		
Outstanding	5,500,128	5,511,866
Dividends Paid in Cash	\$ 6,607,072	\$ 8,272,582
Per Share	1.20	1.50
Employees' Compensation and Benefits	\$ 94,808,075	\$ 87,971,007
Per Sales Dollar	18.79%	19.53%
Depreciation and Amortization Provided	\$ 10,832,833	\$ 10,019,589
Per Sales Dollar	2.15%	2.22%
Capital Expenditures	\$ 13,938,433	\$ 12,857,820

* Calculation based upon average number of shares outstanding.

Letter to Our Shareholders

We are pleased to report a 12 percent sales increase and a 14 percent improvement in net earnings for the year ending December 31, 1963.

New-store sales were largely responsible for our volume increase. We were also helped by unusually favorable business conditions in December, traditionally the most important month for general merchandise retailing.

The K-mart division was a substantial contributor to our gain in net profit, despite full absorption of start-up costs and all other extraordinary expense involved in opening 35 of these stores with a total sales area of more than two million square feet. Including 18 stores opened in 1962, we had 53 K-marts in operation at the 1963 year-end. Thirty-one are presently scheduled to open in 1964.

The speed with which we entered department-store retailing has been questioned by some observers. While obvious risks were involved in our approach to this venture, it was preceded by thorough research and the realization that a major innovation in our operation was desirable. The decision to move rapidly was influenced by two factors—our strong financial structure and, more importantly, our conviction that the Kresge organization was uniquely equipped to capitalize on this significant phase of the retailing revolution.

Our depth of executive merchandising talent and experience is well known. We also have more than 1200 management trainees in the United States and Canada, plus some 800 experienced Kresge store managers. A majority of these men are potential K-mart managers. Successful operation of a variety store is ideal background for K-mart management and executive positions because Kresge management always has included a high degree of autonomy and responsibility for volume and profit performance at the store level.

There has been no neglect of Kresge stores during our implementation of the K-mart program. It is recognized that the extent of our profit improvement for many years will depend importantly on the productivity of our traditional variety stores. A research program involving some 30 Kresge stores of various types operating under a variety of conditions was initiated in 1963 and is being continued in 1964. We have found that some of the concepts learned in our discount stores can be applied profitably to our variety-store operation. And an encouraging aspect of our present situation is the improved results being shown by many of our older stores.

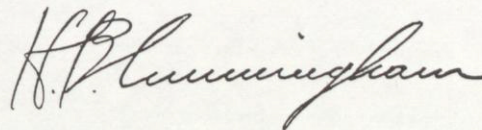
So 1963 was a year of progress. Our showing was due to several factors discussed in more detail on the following pages. *But the all-important factor is the quality of the Kresge organization.* We are sure you will agree if you are a Kresge, K-mart or Jupiter customer. The attitude of our people at all levels is typified by the friendly "Thank you for shopping at Kresge's!" with which each sale is closed.

As a shareholder, you are mainly interested in our future. We are confident it will be bright. While we are still dissatisfied with some phases of our major activities, present indications of progress are heartening.

Since early 1961, we have indicated that 1964 would be the year when we would start to realize important benefits from our K-mart program. That anticipated upturn began in late 1963. It is much too early to predict 1964 results, but volume since January 1 has been most encouraging. As this is written, we have an accumulative sales increase of more than 27 percent. With expansion, conversion and closing costs projected approximately at 1963 levels, continued favorable economic conditions will result in an accelerated earnings trend.



Chairman of the Board



President



Thousand-car parking lot was jammed all day when Georgia's first K-mart department store and supermarket opened. The 108,466 square-foot K-mart debuted September 12 in Savannah.

Reviewing 1963

A 12% increase in sales to a record of \$504,503,194 was due mainly to the increasingly important contribution of our K-mart stores in 1963.

Thirty-five of these new promotional department stores were opened during the year, bringing the total to 53—four in Canada and 49 in the United States. Our heaviest concentration is in Michigan, where we had 10 K-marts in operation at the year-end. The others are located in 16 states from coast to coast.

Net Income Rises

Net income for 1963 was \$10,277,780 or \$1.87 per share compared with \$9,014,163 or \$1.64 per share in

1962. All costs in connection with store openings, closings and conversions to the Jupiter operation were fully absorbed. Similar expenditures will be incurred in succeeding years' programs but will become less burdensome as they are applied against a broader sales base.

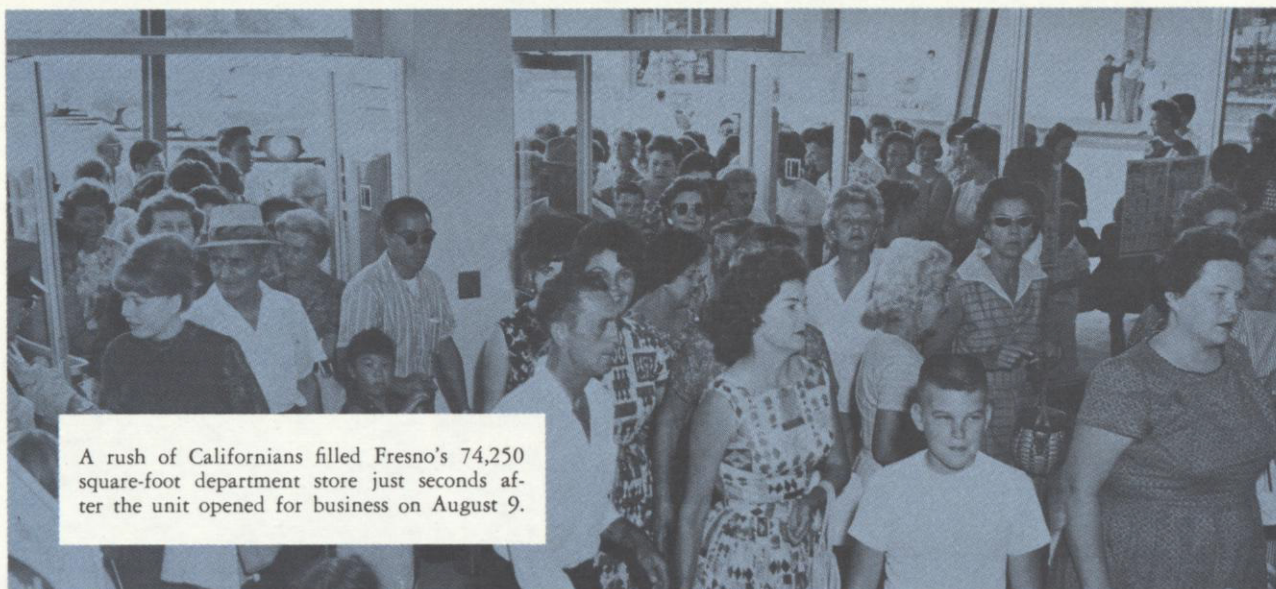
Sales and earnings of the Canadian subsidiary for 1963 were included at the average rate of exchange for the Canadian dollar throughout the year. The conversion of Canadian assets to U. S. dollar values required a charge to 1963 operations of \$98,752.

Cash Flow

Total cash flow (earnings, depreciation and deferred taxes) reached a fifteen-year high in 1963. It was provided as follows:

Net income	\$10,277,780
Depreciation and amortization	10,832,833
U. S. and Canadian income tax deferred	2,936,604
Total	\$24,047,217
Less dividends paid, \$1.20 per share ..	6,607,072
Net funds available for reinvestment	<u>\$17,440,145</u>





A rush of Californians filled Fresno's 74,250 square-foot department store just seconds after the unit opened for business on August 9.

and Looking Ahead

The net cash flow after payment of dividends was \$3,171,579 above comparable funds available for the preceding year, due in part to reduction of the dividend payout from \$1.50 per share in 1962 to \$1.20 in 1963.

New Stores

At the beginning of 1963 we had 821 stores in operation, at the year's end 855—a net increase of 34. Store changes during the year are listed below:

	Kresge	K-mart	Jupiter	K-mart Food	
Stores opened	16	35		1	
Closed permanently	13*		1*		
Closed in 1962— reopened in 1963			9		
Converted in 1963	3*		3		
Closed temporarily for conversion (to be re- opened as Jupiters) ..	13*				
Net change	13*	35	11	1	
Stores in operation:					Totals
January 1, 1963	763	18	40	—	821
December 31, 1963 ..	750	53	51	1	855

* Reductions

New stores opened in 1963 added 2,525,587 square feet of selling space, the largest addition during a single year in the history of the company. Stores closed permanently had 90,408 square feet.

On December 31, 1963 we were operating 747 stores in the United States, 104 in Canada and four in Puerto Rico.

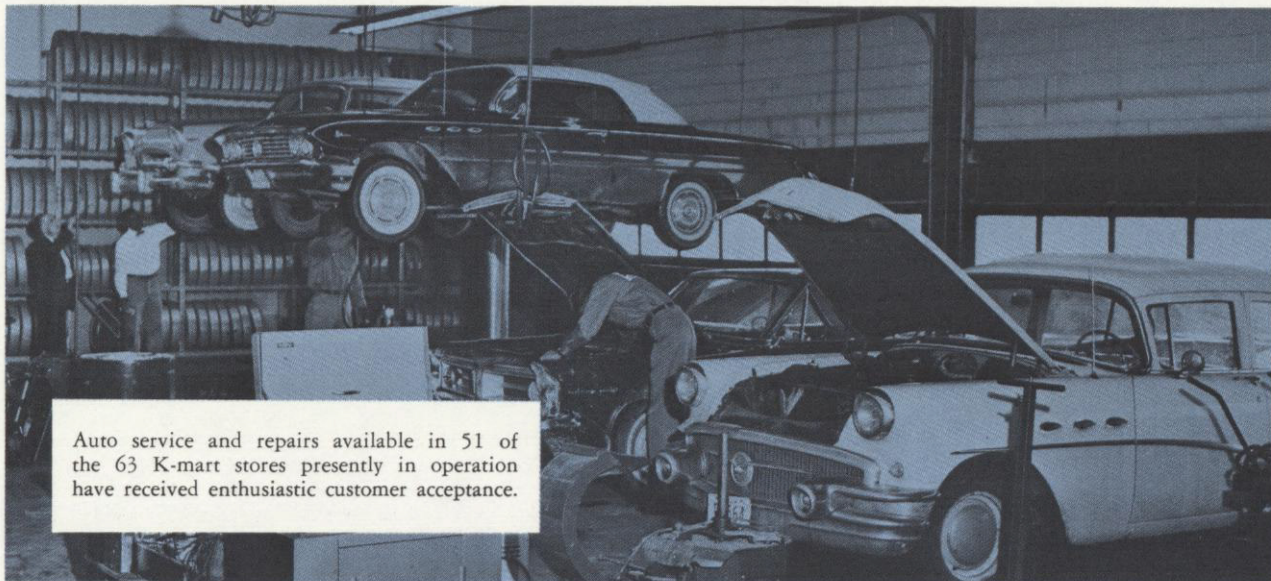
Leases have been signed for 24 new K-marts to open in 1964. Negotiations are in progress for seven additional locations. We expect total openings to be approximately the same as in 1963. In addition, two large downtown Kresge stores are being converted to K-mart operation.

Six new Kresge stores will open in 1964. Twenty-two Kresge units are scheduled for conversion into Jupiter stores, including 13 now closed for that purpose.

New stores were opened at a rapid pace by many of our competitors during the early months of 1963, but the number of competitive openings was markedly reduced later last year. This latter trend is continuing in 1964 and should have an increasingly favorable effect on our volume and profit throughout the current year.

Working Capital

Working capital at the year-end increased to \$91,957,601, or \$18,685,023 more than a year ago, main-



Auto service and repairs available in 51 of the 63 K-mart stores presently in operation have received enthusiastic customer acceptance.

Reviewing **CONTINUED**

ly due to the sale of long-term notes mentioned later in this report. The ratio of current assets to current liabilities remained approximately constant at 2.49 to 1 compared with 2.51 to 1 on December 31, 1962.

Cash and investments totaled \$53,800,360 at December 31, 1963. A year ago this figure was \$34,840,574. Investment in merchandise at \$87,700,202 was higher than last year by \$9,280,072, wholly because of new stores' inventories.

Accounts payable are also \$9,943,686 higher than at the 1962 year-end. This reflects more rapid merchandise turnover and the 35 new K-mart units added in 1963, plus a 19% increase in our December sales volume.

Capital Expenditures

We spent \$13,938,433 in 1963 for capital additions to buildings and fixtures. This compares with \$12,857,820 in 1962.

Depreciation provision totaled \$10,832,833, \$813,244 more than for 1962. Rates applied were identical in both years. Accelerated depreciation and the new guideline rates are used for tax purposes.

Capital outlays planned for 1964 are approximately

the same as 1963 expenditures. Our cash flow and funds now in hand will comfortably finance a continuing program of this size.

Long-Term Liabilities

On December 16, 1963 we sold to a group of five banks \$15,000,000 of twenty-year notes bearing interest at $4\frac{7}{8}\%$. Payments begin in 1968 at \$500,000 each year, increasing to \$1,250,000 in 1976, following the maturity on January 15, 1975 of the notes sold under an earlier note purchase agreement.

Our total long-term debt now amounts to \$29,593,877. An installment of \$1,125,000 was paid early last year on the long-term bank loan existing at December 31, 1962. A similar payment was made in January, 1964.

Deferred Credits

The deferred U. S. and Canadian income tax reserve has been increased by \$2,936,604 to \$14,877,000. This represents the deferment of taxes in the United States and Canada due to the use of guideline rates and accelerated depreciation on fixed assets.

Income and Income Retained

CONSOLIDATED STATEMENT OF INCOME AND INCOME RETAINED FOR USE
IN THE BUSINESS FOR THE YEARS ENDED DECEMBER 31, 1963 AND 1962

	1963	1962
Sales	\$504,503,194	\$450,507,409
Income from leased departments	6,027,466	2,053,207
Interest income	307,493	322,572
	<u>510,838,153</u>	<u>452,883,188</u>
Cost of merchandise sold and operating, general and administrative expenses, less income from rentals	466,393,008	410,624,241
Taxes—other than U. S. and Canadian income taxes	13,077,776	12,642,247
Depreciation and amortization	10,832,833	10,019,589
Interest expense	964,097	855,666
Loss on disposals of fixed assets and cancellation of leases	436,659	624,282
	<u>491,704,373</u>	<u>434,766,025</u>
	19,133,780	18,117,163
Estimated U. S. and Canadian income taxes including deferred income taxes, less investment credit (Note C)	8,856,000	9,103,000
Net income for the year	<u>10,277,780</u>	<u>9,014,163</u>
Income retained for use in the business at beginning of year	150,109,139	150,387,933
Exchange loss on Canadian dollar		(1,020,375)
Cash dividends paid—\$1.20 a share in 1963 and \$1.50 a share in 1962	(6,607,072)	(8,272,582)
Income retained for use in the business at end of year	<u>\$153,779,847</u>	<u>\$150,109,139</u>

Detroit, Michigan
February 27, 1964

TO THE STOCKHOLDERS OF
S. S. KRESGE COMPANY:

In our opinion, the accompanying consolidated statements present fairly the financial position of S. S. Kresge Company and its subsidiary companies at December 31, 1963, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.
Certified Public Accountants

Consolidated Balance Sheet

DECEMBER 31, 1963

ASSETS	1963	1962
CURRENT ASSETS:		
Cash	\$ 26,017,964	\$ 20,886,147
Marketable securities, at cost approximating market	27,782,396	13,954,427
Accounts receivable, less allowance for possible losses	9,293,728	5,916,166
Merchandise and materials on hand and in transit, at lower of cost or market	87,700,202	78,420,130
Operating supplies and prepaid expenses	2,835,891	2,749,713
	<u>153,630,181</u>	<u>121,926,583</u>
 OTHER ASSETS	 3,150,245	 3,151,127
 FIXED ASSETS:		
Land, buildings, furniture and fixtures, at cost	209,430,378	200,515,120
Less—Depreciation	<u>79,498,379</u>	<u>73,746,999</u>
	129,931,999	126,768,121
 Leasehold improvements, less amortization	 26,744,065	 27,644,187
Construction in progress	<u>1,808,855</u>	<u>2,407,433</u>
	<u>158,484,919</u>	<u>156,819,741</u>
	<u>\$315,265,345</u>	<u>\$281,897,451</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(A) Canadian Subsidiary Company:

The net assets of the Canadian subsidiary company amounted to approximately 20% of the consolidated net assets. In consolidation the assets, liabilities and operations of this subsidiary were translated into U. S. dollars at appropriate rates of exchange.

(B) Long-Term Debt:

At December 31, 1963, under note purchase agreements, the parent company owed \$13,875,000 at 3½% interest and \$15,000,000 at 4½% interest. Payments required under the agreements will aggregate \$1,125,000 in each of the years 1964 through 1967, \$1,625,000 in 1968 through 1974, \$2,000,000 in 1975, \$1,250,000 in 1976 through 1982 and the then unpaid balance on December 16, 1983. The agreements restrict the payment of dividends (other than stock dividends) and the purchase, redemption or retirement of shares of the company's capital stock. At December 31, 1963, income retained for use in the business was approximately \$17,693,000 in excess of the amount so restricted.

(C) Investment Credit:

In 1962, 48% of the investment credit of \$495,800, representing the permanent tax saving, was included in net income for the year and the balance of \$258,000 was deferred to future years. As a result of the retroactive effect of the Revenue Act of 1964 on the investment credit, the entire 1963 investment credit of \$760,000 rather than 48%, and the deferred portion of the 1962 investment credit have been reflected in 1963 income as a reduction of the provision for income taxes. This had the effect of increasing 1963 net income by \$653,000.

AND 1962

S. I. Kresge Company

AND SUBSIDIARIES

LIABILITIES	1963	1962
CURRENT LIABILITIES:		
Portion of notes payable due within one year	\$ 1,125,000	\$ 1,125,000
Accounts payable—trade	34,250,993	24,307,307
Accrued taxes, payrolls, expenses and other accounts payable	21,710,594	19,232,299
Estimated U. S. and Canadian income taxes	4,585,993	3,989,399
	<u>61,672,580</u>	<u>48,654,005</u>
LONG-TERM DEBT:		
Notes payable	27,750,000	13,875,000
Real estate mortgages	1,857,234	1,935,479
	<u>29,607,234</u>	<u>15,810,479</u>
DEFERRED U. S. AND CANADIAN INCOME TAXES	14,877,000	11,940,396
STOCKHOLDERS' EQUITY:		
Capital stock		
Authorized 10,000,000 shares at \$10 par value		
Issued 5,517,872 shares	55,178,720	55,178,720
Excess of proceeds received from the sale of treasury shares over the cost thereof	149,964	204,712
Income retained for use in the business, statement attached	153,779,847	150,109,139
	<u>209,108,531</u>	<u>205,492,571</u>
	<u>\$315,265,345</u>	<u>\$281,897,451</u>

(D) Commitments:

For 1963 the rentals under long term leases, exclusive of taxes of approximately \$2,980,000 and other expenses of approximately \$3,300,000, on all real property leased to the company and its subsidiaries aggregated \$22,988,573.

These leases expire during the ten year periods ending December 31, as follows:

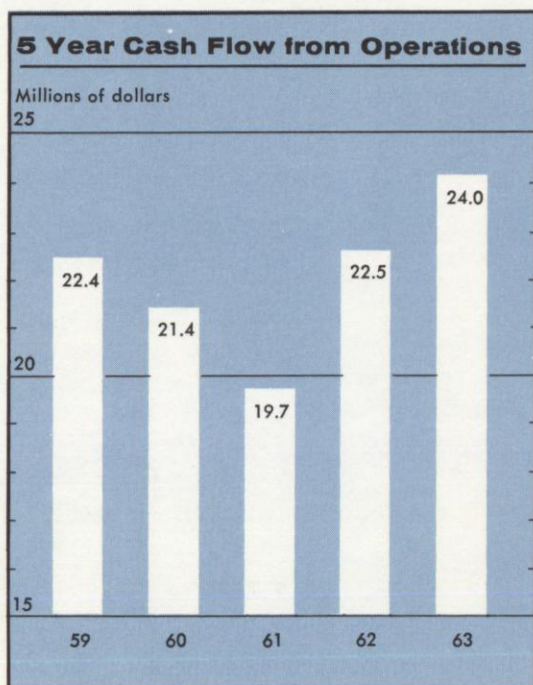
1973	\$ 5,674,979
1983	14,609,033
1993	1,517,853
2003	22,225
2013 to 2052	1,164,483
	<u>\$22,988,573</u>

(E) Stock Option and Stock Purchase Incentive Plans:

On May 11, 1962, the shareholders approved a stock option plan and a stock purchase incentive plan covering 90,000 shares and 125,000 shares, respectively, of the company's common stock. Under the stock option plan options were granted in 1962 to purchase 79,050 shares over a five year period at the rate of 15,810 shares per year, at \$30.88 a share, which was 95% of fair market value at the date the options were granted. None of these options were exercised at December 31, 1963. Under the stock purchase incentive plan, 26,498 shares were sold to eligible officers and employees in 1963 by payroll deduction at \$23.06 and \$20.72 a share, which prices were 85% of fair market value on the applicable option dates as defined in the plan. During the year ended December 31, 1963, the company purchased for sale to employees 30,005 shares of its common stock at prices ranging from \$22.63 to \$27.86 a share. The sale of shares under the plan during the year resulted in a decrease of \$54,747 in excess of proceeds received from the sale of treasury shares over the cost thereof. At December 31, 1963, 24,038 shares are included in other assets at a cost of \$582,535.

10 Year Financial Summary

	1963	1962
Sales	\$504,503	\$450,507
Number of Stores	855	821
United States	747	715
Canada	104	102
Puerto Rico	4	4



Net Income	\$ 10,278	\$ 9,014
Per Share*	1.87	1.64
Per Sales Dollar	.0204	.0200

Cash Dividends	\$ 6,607	\$ 8,273
Per Share	1.20	1.50
Per Sales Dollar	.0131	.0184

All Taxes	\$ 21,934	\$ 21,745
Per Share*	3.99	3.95
Per Sales Dollar	.0435	.0483

Inventories of Merchandise	\$ 87,700	\$ 78,420
% to Sales	17.38%	17.41%

Net Working Capital	\$ 91,958	\$ 73,273
% to Sales	18.23%	16.26%

Net Worth	\$209,109	\$205,493
Per Share*	38.02	37.28

Long-Term Debt	\$ 29,607	\$ 15,810
% to Sales	5.87%	3.51%

Plant and Equipment		
Additions less Retirements	\$ 12,498	\$ 11,483

Dollar amounts shown in thousands.

*Calculation based upon the average number of shares outstanding.

J. I. Kresge Company AND SUBSIDIARIES

1961	1960	1959	1958	1957	1956	1955	1954
\$426,099	\$418,200	\$404,905	\$384,379	\$377,169	\$366,355	\$354,651	\$337,914
777	759	725	706	692	676	673	690
677	659	632	618	609	594	596	616
98	98	92	88	83	82	77	74
2	2	1	—	—	—	—	—
\$ 8,863	\$ 11,120	\$ 12,686	\$ 13,795	\$ 13,334	\$ 13,500	\$ 13,262	\$ 11,637
1.61	2.02	2.30	2.50	2.42	2.45	2.40	2.11
.0208	.0266	.0313	.0359	.0354	.0368	.0374	.0344
\$ 8,829	\$ 8,829	\$ 8,829	\$ 8,829	\$ 8,829	\$ 8,829	\$ 8,829	\$ 9,932
1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.80
.0207	.0211	.0218	.0230	.0234	.0241	.0249	.0294
\$ 22,189	\$ 23,092	\$ 24,451	\$ 24,698	\$ 24,319	\$ 23,779	\$ 22,871	\$ 20,609
4.02	4.18	4.43	4.48	4.41	4.31	4.14	3.73
.0521	.0552	.0604	.0643	.0645	.0649	.0645	.0610
\$ 70,133	\$ 66,769	\$ 64,802	\$ 60,055	\$ 54,050	\$ 53,825	\$ 51,919	\$ 46,649
16.46%	15.97%	16.00%	15.62%	14.33%	14.69%	14.64%	13.81%
\$ 72,606	\$ 72,539	\$ 71,379	\$ 66,447	\$ 63,888	\$ 67,509	\$ 72,211	\$ 54,421
17.04%	17.35%	17.63%	17.29%	16.94%	18.43%	20.36%	16.10%
\$205,791	\$205,757	\$203,466	\$199,609	\$194,643	\$190,138	\$185,467	\$181,033
37.30	37.29	36.87	36.17	35.28	34.45	33.61	32.81
\$ 17,011	\$ 18,524	\$ 19,629	\$ 20,726	\$ 21,820	\$ 22,969	\$ 22,891	\$ 3,062
3.99%	4.43%	4.85%	5.39%	5.79%	6.27%	6.45%	.91%
\$ 9,016	\$ 10,464	\$ 9,717	\$ 9,738	\$ 15,468	\$ 17,215	\$ 12,986	\$ 14,835



Let's go **K**

When a family moves into a community, neighbors are curious about the new residents. This curiosity extends to a new member of a neighborhood's business community as well. "Will the store have the merchandise we want? At prices we can afford? What kind of people are running it? Can we trust them? Can we get our money back if dissatisfied?"

As the Kresge Company expands its chain of K-mart department stores, it faces this normal curiosity in dozens of new locations throughout the United States and Canada.

Just like the new family in the block, to be accepted a new K-mart must make friends with its neighbors.

Hi Neighbor

K-mart's neighbors are the 30 to 35 thousand people the average store is designed to serve. To extend a warm hand of friendship, the company's advertising department has created five full-page newspaper advertisements as K-mart's introduction.

The first ad, which runs about a week before a K-mart's grand opening, is like the first, firm handshake which says: "Hello, I'm your new neighbor." The ad explains what K-mart is, where it is located and gives a brief character sketch that defines the policies of the new store.

Getting Acquainted

The second ad states: "You won't need cash at K-mart if you apply for credit now!" Besides talking about the thrifty credit plan, a Kresge credit application is printed in the body of the ad. In effect the ad says: "K-mart is here to help you get what you want when you want it — that's what a neighbor is for."

The third ad assures the neighbors they can have confidence in K-mart's merchandise. This ad lists some of the thousands of name-brand products that can be found on K-mart shelves, products with quality guaranteed by national manufacturers and low prices guaranteed by K-mart.



A discussion of low prices is the subject of the fourth ad where K-mart gives its word that you'll enjoy "a wonderful new experience in saving" when you go K-marting.

Going K-marting

The final ad captures the informality of K-marting by picturing a family shopping together, each member attracted to a different department. Besides suggesting family shopping for fun, this ad also emphasizes the wide range of merchandise available at K-mart to satisfy any family or household need.

These five "let's get acquainted" ads are backed by smaller, more frequent spot ads announcing "K-mart is coming," and by regular merchandise advertisements.

By the time a new K-mart opens its doors to its neighbors, the company wants "going K-marting" to be anticipated as eagerly as a visit to the home of a new friend.

marling!



Quality, economy, service and fun are promised the shopper who "goes K-marting" by five full-page newspaper advertisements (three pictured) which run prior to the grand opening of a new K-mart department store. Created by the company's advertising department, the ads are the initial firm handshake that says: "Hello, I'm your new neighbor. Let's get acquainted."

Good Neighbor Policy

The company recognizes it is even more important to prove to K-mart's new friends on their first and each succeeding visit that K-mart is a good neighbor. This is achieved by maintaining a store where good housekeeping, modern merchandising methods, friendly service and counters stocked with exceptional values are hallmarks.

In the brief period since the company's first K-mart was opened in early 1962, these stores have created a position of leadership in modern retailing because they have demonstrated a formula for winning new friends and keeping old friends. Through the K-mart employee who closes every sale with a warm "Thank you for shopping at K-mart" and the store manager who gives his time and talents to community activities, each K-mart becomes a good neighbor to thousands of shoppers.



Assistant managers attend a final seminar at the company's main headquarters before receiving their managerial assignments.

At the sessions they meet informally with top-level executives to discuss each man's role in the company's progressive future.

Manpower

Today he is managing a Kresge variety store. Tomorrow he may be a district manager. In the near future he could be the manager of a K-mart department store or be directing the company operations from an executive post. This versatile man is a Kresge man. He is constantly learning. He is sensitive to people's needs and desires. He is a merchant.

From colleges, high schools and the business world, the Kresge Company seeks this merchant for its progressive future. At the present rate of expansion, the company's personnel department must have more than 100 men ready to assume management positions each year.

Sources of Manpower

One hundred and fifty colleges are contacted annually for potential Kresge manpower. A college speakers bureau has been established by the company to increase contact with students prior to recruiting. At the request of a college, the company sends an executive to speak to students about retailing with emphasis on the Kresge Company as a leader in the field.

By recruiting day, the college placement director has scheduled interviews with students and the Kresge representative—a regional personnel manager, district manager or qualified store manager. If one of these men

is an alumnus of the college, he is usually selected to do the interviewing.

In addition to the excellent career opportunities for college graduates, some of the company's most important executive positions are filled by outstanding men without college degrees.

In the Kresge Company, the opportunity for advancement is available to all. Success depends on each man's ability and application.

Management Training Program

A well defined program for assimilating trainees into the Kresge team has been organized by the personnel department. During their first four months in training, all trainees receive instruction in the fundamentals of running a Kresge store. Trainees are placed in specially selected stores where the managers have proved they are developers of men as well as efficient store operators.

A trainee is appraised as to his potential to succeed after the first four months. As he progresses from junior assistant to senior assistant, regular reports on his development are prepared by his immediate superiors and discussed with him. These reports are an important aid in helping management and the trainee evaluate his readiness for promotion.

Training Methods

Full use is made of modern training techniques to increase and crystallize the trainee's knowledge of the Kresge business. Special classes, films, training manuals and seminars are employed.

However, management feels that on-the-job training is the best method of learning. There is no substitute for the complete retail experience obtained in actual store operation. On the salesfloor the trainee works with salespeople and customers, learning their needs and desires and making decisions based on real problems.

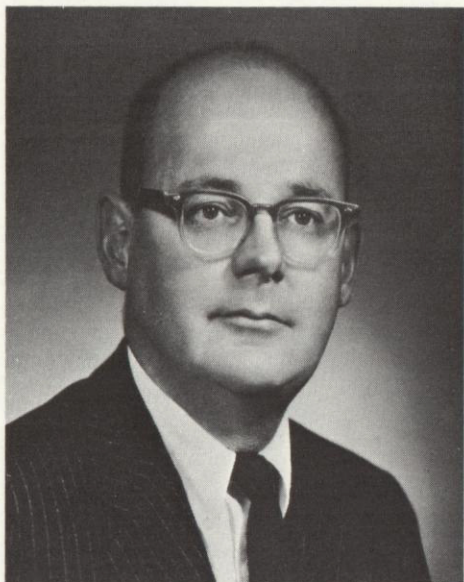
Opportunities Unlimited

A man in training with the Kresge Company may expect to receive his first managerial assignment within three to six years.

The Kresge Company's most important asset is manpower. The successful future of the company depends on a continuous supply of skilled merchants to manage new and established stores and to steer the course of progress. Seniority plays no part in establishing this corps of qualified men. A Kresge man is promoted when he demonstrates that he can fulfill his own ambitions in a more responsible position while serving the best interests of the company.



On-the-job training in a Kresge store gives the assistant manager the opportunity to work with people and merchandise. His responsibilities include conducting training classes for personnel and checking merchandise assortments.



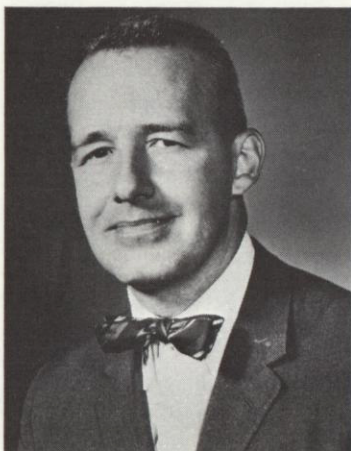
New Director

William H. Baldwin

William H. Baldwin, prominent Detroit attorney, was elected to the Board of Directors at the company's 51st Annual Meeting, May 21, 1963.

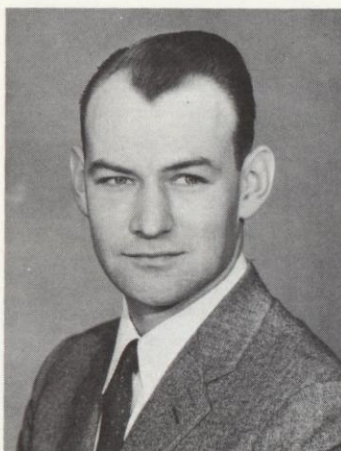
Mr. Baldwin is a trustee and vice president of the Kresge Foundation and a director of Standard Federal Savings and Loan Association. He is also constructively involved in the direction of many other business and civic associations.

Executive Changes



Robert E. Dewar

Robert E. Dewar, former assistant to the president, was appointed assistant vice president, finance.



Walter H. Teninga

Walter H. Teninga, former assistant western regional manager, was promoted to the manager-ship of the western region.



Samuel H. Braxton Jr.

Samuel H. Braxton Jr., former manager of the downtown Kresge store in Boston, Mass., was named infantswear buyer.

In Memoriam

The company regretfully reports the death of Howard C. Baldwin on June 26, 1963, less than a month after his retirement from the Board of Directors on which he served with distinction for 32 years.

Mr. Baldwin, an eminent Detroit attorney, served as

a trustee and vice president of the Kresge Foundation, president of the Detroit Bar Association, president of the Automobile Club of Michigan and the American Automobile Association.

Officers

SEBASTIAN S. KRESGE	Chairman of the Board
STANLEY S. KRESGE	Vice Chairman of the Board
HARRY B. CUNNINGHAM	President
FRED K. NIEMAN	Vice President, Store Management and Operations
CLAUDE M. BOOKER	Vice President, Merchandising
C. LLOYD YOHE	Vice President, K-Mart and Jupiter Operations
JOHN E. HEARST	Vice President, Finance and Treasurer
W. EUGENE STURGES	Vice President, Personnel
JOHN B. HOLLISTER	Vice President, Real Estate
WILLIAM G. WALTERS	Secretary
EUGENE J. KEMPF	Comptroller
ROBERT E. DEWAR	Assistant Vice President, Finance

Directors

SEBASTIAN S. KRESGE	HARVEY C. STARKWEATHER
STANLEY S. KRESGE	C. LLOYD YOHE
HARRY B. CUNNINGHAM	CLAUDE M. BOOKER
FRANKLIN P. WILLIAMS	JOHN E. HEARST
DONALD F. VALLEY	WILLIAM H. BALDWIN
FRED K. NIEMAN	

Executive Committee

Harry B. Cunningham—Chairman
Franklin P. Williams
Donald F. Valley
Fred K. Nieman
Claude M. Booker

Sebastian S. Kresge
Stanley S. Kresge

Members Ex-officio

Finance Committee

Donald F. Valley—Chairman
Harry B. Cunningham
Franklin P. Williams
John E. Hearst

ANNUAL REPORT

D. I. Kresge Company



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